Meeting Date: 12/2/08

AGENDA REPORT

City of Santa Clara, California

Agenda Item # 7B

Santa Clara All-America City 2001

DATE: November 19, 2008

TO: City Manager for Council Action

FROM: Housing & Community Services Division Manager

SUBJECT: Public Hearing: Housing & Community Needs Assessment for Fiscal Year 2009-10 Federal Entitlement Funds

EXECUTIVE SUMMARY: Federal regulations of the Community Development Block Grant (CDBG) Program and the Home Investment Partnerships Act Program (HOME) require the City to conduct at least two public hearings annually to address housing and community development needs and program performance. Consistent with federal requirements and the City's Citizen Participation Plan for Federal Entitlements, the purpose of this hearing is to obtain the views of citizens on local housing and community development needs and priorities.

ADVANTAGES AND DISADVANTAGES OF ISSUE: This public hearing is intended to help in the determination of community needs for preparation of the Fiscal Year 2009-10 Annual Plan for investment of CDBG and HOME funds.

ECONOMIC/FISCAL IMPACT: No impact at this time. Determination of community development and affordable housing needs may have an influence on future Council decisions for allocating CDBG and HOME funds.

RECOMMENDATION: That Council conduct the public hearing regarding Housing and Community Needs Assessment for Fiscal Year 2009-10 for the use of Federal Entitlement Funds and note and file any public testimony received.

Jeffrey B. Pedersen
Housing & Community Services Division Manager

APPROVED:

Kevin L. Riley
Director of Planning & Inspection

APPROVED:

Jennifer Sparacino
City Manager

Documents Related to this Report: Project Sentinel Home Foreclosure Article

F:/Annual Plans, 2005-2010/2009-10/Annual Notices & Agenda Reports/Needs Public Hearing 12-2-08/Needs Public Hearing Agenda Report

DISCUSSION:

A. Public Notification

Notification of this public hearing was published in the local newspaper on November 19, 2008. Notices were mailed to the various public service agencies that are either currently under service contract or have submitted a funding proposal in the past two years. Notices were also sent to parties who may have expressed an interest during the past year in using future CDBG or HOME funds. The notification requested information on the priority of needs of low-income persons/households, minorities, homeless persons, the elderly, the mentally ill, and persons with physical or developmental disabilities, and persons with AIDS.

B. Overview of the CDBG and HOME Programs

Estimate of Available Federal Funds: As of the date of this agenda report Congress had not passed the FY 2009-10 appropriations bill for the CDBG and HOME Programs. In September, Congress passed a continuing resolution to fund federal government operations through March 6, 2009. Thus, it is possible that the exact amount of the City's entitlement grants will not be known until after March 6, 2009.

The CDBG Program: For FY 2009-10, the City anticipates a CDBG grant allocation of approximately $1,050,000, a slight decrease from the prior year's grant award of $1,070,172. The CDBG funds can be used to address the program objectives of either:

i. activities that benefit low income people;
ii. eliminate/prevent conditions of slum or blight; or,
iii. aid at the time of an emergency situation.

Eligibility for CDBG funding of activities is almost always based upon benefit to low income people.

In practice, the City has taken steps to meet as much of the community's needs as practically possible. Funding specifically for affordable housing projects and housing service programs is typically provided by the Redevelopment Agency Affordable Housing Fund whenever possible. This will enable a greater allocation of CDBG funds for non-housing related programs.

The HOME Program: For FY 2009-10, the City anticipates a HOME grant allocation of approximately $590,000, a slight decrease from the prior year's grant award of $595,604. The intent of the HOME Program is to expand the supply of affordable housing for low income households by means of either:

i. property acquisition;
ii. new construction;
iii. rehabilitation; or,
iv. tenant based rental assistance.

C. Strategies For Meeting Community Needs Identified in the City's Consolidated Plan

- Provide housing opportunities to first-time, low and moderate income homebuyers;
- Improve homeownership among minority households;
- Expand and maintain the local inventory of affordable rental housing designed for seniors, persons with special needs or families with low incomes;
- Provide adequate shelter and support services for the local area homeless population;
- Implement a ten year plan to end chronic homelessness;
- Support the work of independent agencies providing housing services to people of low and moderate income or with special needs;
- Maintain and improve the quality of the City's existing housing stock occupied by extremely low, very low and low income households;
- Provide referral services and promotional support to link those experiencing discrimination in housing with public or private groups who handle complaints against discrimination;
- Provide the public facilities necessary to ensure the health, safety and welfare for all residents of the community; and,
- Support non-profit community service organizations that provide essential human services to low-income City residents.

D. How Federal CDBG and HOME Funds Are Being Used in Fiscal Year 2008-09

The use of federal CDBG and HOME funds during the current fiscal year are grouped into the following general activity categories. The amount of funding allocated to each category is also provided in parenthesis:

1. Service Programs

Senior Citizens ($107,329)
- Long-Term Care Ombudsman
- Senior Center Meals
- Operation Brown Bag
- Senior Legal Services
- Senior Day Services
- Senior Transportation
- Special Needs Transportation

General Population ($63,595)
- Family Therapy Counseling
- Special Needs Transportation
- Domestic Violence
- Grief Support Services

Youth ($24,000)
- School Outreach Counseling

Homeless Families ($13,554)
- Food Assistance for Needy

2. Capital Improvements

Affordable Rental Housing ($431,044)
- Senior Apartment Rehabilitation
- Young Adult Apartment Rehabilitation
- Family Apartment Rehabilitation
- Domestic Violence Shelter Acquisition

Persons with Disabilities ($160,000)
- Removal of Architectural Barriers

Homeowner Housing ($455,612)
- Neighborhood Conservation & Improvement (plus $230,538 from RDA)

E. Rising Rate of Foreclosures

For several months, economic news has been dominated by the residential real estate crisis of the last year. The rising rate of foreclosures on single-family homes has been at the center of this news. In Santa Clara, the rate of annual foreclosures has tripled from what it was two years ago. That increased rate has resulted in an average of 23 foreclosures per month since May, 2008. At the present time, there are 201 homes in foreclosed status that have not yet been resold. In addition, the U.S. Department of Housing & Urban Development (HUD) estimates that 400-500 current mortgages in the City are at risk for foreclosure in the next eighteen months.

The City funds a Mortgage Delinquency Counseling Program operated by Project Sentinel. Since July, demand for that service by City residents has more than doubled. Staff has provided Project Sentinel with a letter of support that helped that agency obtain emergency federal funds set-aside for mortgage delinquency counseling. In addition, Project Sentinel and the City have increased their outreach to homeowners, encouraging those who are delinquent or may soon become delinquent, to contact Project Sentinel for mortgage default counseling. A copy of an article to be published in the December issue of the "Inside Santa Clara" newsletter is attached to this report. City staff mailed this article directly to 89 homeowners listed as having received a Notice of Default within the last ninety days. Staff anticipates that swelling demand for default assistance may result in a mid-year need for supplementary funding.

Foreclosures have two serious impacts on the community: (1) Sale of foreclosures depress the market value of existing homes; and (2) Vacated homes can become targets of graffiti and vandalism, as well as creating visual eyesores due to poor maintenance. When foreclosures are clustered, residents of the surrounding neighborhood can be seriously impacted. In July, Congress passed the Housing Emergency Relief Act (HERA), which included $3.92 billion to assist states and localities to purchase foreclosed homes or otherwise redevelop communities impacted by foreclosures. That program, called the Neighborhood Stabilization Program (NSP) was considered a special allocation of 2008 CDBG funds. The City of Santa Clara did not receive an entitlement grant of NSP funds directly from HUD, nor will it be eligible to compete for the State's pool of NSP funds, because the foreclosure problem in Santa Clara is not as severe as it is elsewhere in California. Based on Council direction, staff can explore the possibility of using Agency affordable housing set-aside funds for acquisition of foreclosed homes for re-sale to income-eligible homebuyers.

F. Blue Ribbon Commission on Ending Homelessness and Solving the Affordable Housing Crisis

In 2007, Santa Clara County created a Blue Ribbon Commission to come up with an action plan to end homelessness and solve the affordable housing crisis. Mayor Mahan was one of the members of the executive committee that adopted the final recommendations and goals. Staff from the City's Housing & Community Services Division participated in three of the Commission's working groups: Prevent Homelessness, Shift to "Housing First", and Increase Housing Supply (Land Use and Finance subgroups).

In a series of meetings in 2007, this Commission developed a set of recommended actions and goals for addressing the issue of affordable housing and homelessness. Those recommendations have been incorporated into a campaign known as "Destination Home." That campaign set the following goals

relating to homelessness, to be accomplished by 2015:

1. Develop 3,000 new housing units for chronically homeless, with supportive services.
2. Add 2,000 housing units for extremely low income households.
3. Maintain current levels of support for shelter and transitional housing.
4. Establish a centralized Homeless Prevention Center.
5. Develop a Medical Respite Facility. An area of the Boccardo Reception Center, in San Jose, is being modified to accommodate this need. It is scheduled to open in late 2008.

G. Increase in City's Homeless Population

In 2007, the City joined with all of the entitlement jurisdictions in Santa Clara County to conduct a census and survey of the homeless population in the County. A total of 7,202 homeless persons were counted in January, 2007, a decrease of 5.8% from the 7,646 persons counted in December, 2004. In February and March, 2007, 1,019 surveys of homeless persons were conducted. Those surveys asked 28 questions to determine homeless demographics and information on causes and duration of homelessness. Despite the countywide decrease, the number of homeless persons in the City of Santa Clara increased by 33.7%, from 359 to 480.

The County will undertake another Census and Survey of the homeless population in January, 2009. The City has been asked to pay its "fair share" of the cost of that activity. Staff expects to finalize an agreement with the County in the next two months.

H. Neighborhood Conservation & Improvement Program

In FY 2007-08, the City's housing rehabilitation program for owner-occupied housing assisted 67 low- to moderate-income homeowners with needed home repairs. The NCIP is experiencing high demand for assistance from eligible homeowners, as evidenced by a waiting list for pending projects, typically carrying 10 applicants at any one time. Redevelopment Agency funding for the NCIP, derived from the Agency's additional 10% of tax increment appropriated for housing purposes, accounts for an increasing portion of the financing used by the NCIP. In FY 2007-08, the NCIP expended approximately $712,725, of which about 47% was derived from the RDA. The RDA-funded portion of NCIP expenditures is expected to continue to be approximately 40% of FY 08-09 expenditures. Faced with the possibility of reduced federal funding in the future, it will be important to continue appropriating RDA funding to the NCIP in order to meet the demand for housing rehabilitation services.

I. Public Services

The current fiscal year is the final year of three-year contracts entered into by the City and the Redevelopment Agency with 19 non-profit agencies in 2006. All applicants, including those currently under contract, will submit full applications. Staff anticipates that FY 2009-2010 will begin a new three-cycle for funded agencies that have an established record of providing quality services to City residents.

Various surveys conducted in the last year demonstrate that the economic downturn has contributed to a decline in donations to charities. Governments at all levels are experiencing decreased tax receipts and

are contemplating significant spending cutbacks. Thus, non-profits providing services to City residents will be facing severe constraints to their ability to provide services at the same level.

J. Outreach & Escort

Outreach & Escort continues to experience high demand for its paratransit services for the elderly and younger persons with disabilities. Staff projects that current funding, which reduces the cost for City residents by one dollar per one-way ride, will be fully depleted on or about April 1. Staff anticipates that supplementary funding to continue the ride subsidy through June 30, 2009, will be necessary.

Project Sentinel

HUD Housing Counseling Programs
1055 Sunnyvale-Saratoga Road, Suite # 3
Sunnyvale, CA 94087

Tel: (408) 720-9888 Fax: (408) 720-0810 E-Mail: Mediate4US@projsen.org

What is "foreclosure"?

The foreclosure process actually consists of a series of steps, which ultimately can lead to a bank or new owner taking ownership of your home. The first step is "Delinquency", which means the homeowner is one or more months behind in mortgage payments or other associated payments such as property taxes. At this stage, the formal foreclosure process has not begun. Before starting the formal process, the lender mails a Notice of Intent or Notice of Acceleration to the delinquent owners. Under a new state law, SB 1137, a lender cannot move to the formal foreclosure process until the lender has contacted the homeowner and spent at least 30 days attempting to negotiate a resolution of the delinquency issues.

After at least 30 days have passed, and after making an effort to negotiate, the lender files a "Notice of Default" at the office of the county recorder. This step begins the formal foreclosure process. The Notice of Default gives the homeowner 90 days to cure the delinquent amount due, which is listed in the Notice. Beginning as of September 1, 2008, the Notice must include a declaration describing the lender's efforts to negotiate with the homeowner during the prior 30 days.

The final step is the "Trustee Sale" held at least 20 days after the 90-day grace period in the Notice of Default has expired. The property will be auctioned at the time and date noticed for the sale, and if there is no buyer, the lender will take ownership of the property at that time. Once the trustee sale has been completed, the homeowner can be evicted after being given a 3-day written notice to vacate the property. Tenants living in the property at the time of the trustee sale must be given a 60-day written notice to vacate. In practice, many banks are offering a "cash for keys" settlement to the owner or tenant in exchange for a voluntary departure.

What steps should be taken to avoid foreclosure?

A homeowner contacted about a delinquency or default should immediately respond. Do not avoid phone calls or ignore correspondence. In order to receive consideration for a modification or other type of "workout", the homeowner will need to make full financial disclosure, produce financial records, and prepare a letter for the lender explaining the hardship that is causing the delinquency.

Homeowners can seek help from a HUD certified housing counseling agency or other non-profit with foreclosure prevention expertise. **These agencies provide free counseling help**, and when appropriate will contact the lender on behalf of the owner.

Homeowners should beware of foreclosure rescue scams!

Many "services" are advertising that they can help homeowners facing foreclosure. Usually these companies request substantial non-refundable fees in advance, often $2000 or more, before they have obtained any results. In most cases, these companies never produce any results.

What kinds of options or workouts are available to homeowners to avoid foreclosure?

Depending on the specific lender and the financial stability of the homeowner, it may be possible to negotiate various arrangements such as a loan modification, forebearance agreement or reverse mortgage. There are other "last gasp" alternatives such as a short sale or deed-in-lieu. New government programs such as the Hope for Homeowners Program are frequently being announced and implemented. These provide additional options for modifications or new loans, but only if the homeowner meets the specific requirements of each program. Settlements with specific lenders such as Countrywide and Indymac are also being implemented, with work out options in some cases and foreclosures freezes in some cases.

The various counseling programs try to stay current with all the new programs, and with the change in ownership among the banks and lenders, but some programs are so new that the full details may not yet have been developed or disclosed.

What resources are available for more information?

Local HUD counseling agencies in Santa Clara County providing free counseling include:

- Project Sentinel, 408-720-9888, www.housing.org
- Neighborhood Housing Services of Silicon Valley, 408-279-2600, info@nhssv.org,
- Consumer Credit Counseling Service, 800-540-2227, www.gotdebt.org

Other resources include:

- US Dept of Housing & Urban Development -- 800-669-9777, www.hud.gov
- Fair Housing Law Project – 408-280-2435
- Santa Clara County District Attorney (Real Estate Fraud Unit) – 408-792-2639
- Don't Borrow Trouble Silicon Valley – 408-283-1284

General foreclosure information is available online at:

- Public Interest Clearinghouse website: http://www.foreclosureinfoca.org

PROOF OF PUBLICATION

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IN THE
City of Santa Clara,
State of California,
County of Santa Clara

CITY OF SANTA CLARA

NOTICE OF PUBLIC HEARING TO OBTAIN CITIZEN'S V

CITY OF SANTA CLARA'S HOUSING & COMMUNITY DEVELOPME

State of California,
County of Santa Clara } SS.

The undersigned, being first duly sworn, deposes and says: That at all times hereinafter mentioned affi-
ant was and still is a citizen of the United States, over the age of eighteen years, and not a party to or
[illegible]

NOTICE OF PUBLIC HEARING TO OBTAIN CITIZEN'S VIEWS OF THE CITY OF SANTA CLARA'S HOUSING & COMMUNITY DEVELOPMENT NEEDS FOR ITS FY 2009-10 ANNUAL CONSOLIDATED PLAN

Notice is hereby given that the City of Santa Clara has determined and fixed December 2, 2008, at 7:00 P.M., in the City Hall Council Chambers, 1500 Warburton Avenue, Santa Clara, California, as the date, time and place of a Public Hearing to Obtain Citizen's Views of the City of Santa Clara's Housing & Community Development Needs for the fiscal year beginning July 1, 2009 and ending June 30, 2010. This hearing will be the first step in the development of the City's Annual Consolidated Plan for spending federal Community Development Block Grant (CDBG) and Home Investment Partnerships Act (HOME) entitlement funds in that fiscal year.

For Fiscal Year 2008-09, the CDBG Entitlement Grant is estimated at $1,050,000; the HOME Entitlement Grant is estimated at $590,000. These funds are to be used to benefit low and moderate income residents of the City.

Citizens wishing to present their views may attend the Public Hearing and provide written and/or oral testimony concerning the priority of needs for which the Entitlement Funds might be used or submit written comments prior to the Public Hearing to the Housing & Community Services Division offices at 1500 Civic Center Drive, Santa Clara, California.
The public hearing location is fully accessible by wheelchair and public transportation. People with impaired speech or hearing may call (408) 615-2490 through 711 the nationwide Telecommunications Relay Service. Sign language interpretation, translation into languages other than English, and interpretation for persons with visual impairments are available. If you need sign or other interpretation, please call (408) 615-2490 at least one week in advance of the hearing. Reasonable modifications in policies, procedures and/or practices will be made as necessary to provide access for all individuals with a disability or with limited English proficiency.
Rod Diridon, Jr.
City Clerk
PUB.: 11/19/2008